Sri Lankan workers and poor hit by escalating costs of essential items

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On Monday the Sri Lankan cabinet withdrew a September 2 government gazette notice imposing price controls on rice, the country's staple food. The decision opened the way for big business rice mill operators to announce an increase of 115 rupees per kilogram ($US0.5), or 17 percent in the lowest grade nadu rice, and 145 rupees, or a 37 percent hike per kilogram for samba rice.

These increases, along with higher costs for other staple foods and essentials, will drive up the already exorbitant cost of living in Sri Lanka, and heavily impact on workers and the poor, struggling to cope amid the ongoing coronavirus pandemic. Even though testing rates are being reduced in Sri Lanka, COVID-19 has infected more than half a million people and killed almost 13,000.

Dairy and cooking gas importers are now lobbying the government to grant large price rises for their products. They want to increase the cost of a 12.5-kilogram cooking gas cylinder by 800 rupees, or 54 percent, and a kilogram of milk powder by 350 rupees or 37 percent. Fearing the eruption of protests, Cabinet postponed making a full decision on these price hikes, which will trigger scarcities and increase black market trading.

The price of essential foods, such as lentils, yellow gram, chilies, canned fish, onions, green gram and sprats, has risen continuously over the last 12 months, with increases in these items of between 25 percent to 150 percent.

Colombo's decision to withdraw the price controls makes clear that President Gotabhaya Rajapakse's declaration of a state of emergency on August 30 had nothing to do with ending shortages and price hikes in rice, sugar and other essentials.

The Socialist Equality Party warned on September 11: "The real target of the emergency laws is the working class and rural masses, who are confronting enormous hardships, as the burden of the country's economic crisis is directly imposed on them."

The government's actions expose it as an apparatus to protect big business and its exorbitant profits, not the lives of the working class, farmers and other oppressed people.

Currently, 800 containers of essential food items, such as lentils, sugar, garlic, sprats, canned fish and milk powder, are being blocked in the port due to the scarcity of foreign currency. The Central Bank, under government pressure, has just announced that it will provide the required US dollars to release these goods.

Even though the official year-on-year food inflation rate was around 11 percent for August, the real rate is over 30 percent, according to independent economic estimates. The latest increases in rice, dairy goods and cooking gas prices will further erode the real value of workers' wages and see a further escalation of strikes and other social struggles by workers and the rural poor.

Up to 250,000 teachers are continuing their three-month online learning strike to demand higher wages. On Monday, 90,000 public sector health workers struck in protest against cuts to a pandemic-related special allowance, and for several other demands. Plantation workers have also been involved in protests over back-breaking production demands by big business estates, following an abysmal daily wage increase of about 250 rupees.

Hundreds of thousands of low-paid production workers in the free trade zones, mainly in the apparel, rubber and electronics industries, have also suffered wage cuts, lay-offs and increased workloads since the pandemic began. Around half a million workers in the tourist sector have been laid off, as a result of dramatic falls in tourist arrivals. Thousands of import sector workers are also unemployed, after the government placed import bans on automobiles and other foreign-made goods, in an attempt to prevent further declines in foreign currency reserves.

While the Sri Lankan economy already had a widening budget deficit and crippling debt repayments, the coronavirus pandemic has drastically worsened this crisis. According to a September 16 Moody's report, Sri Lanka will have to pay between $4 and $5 billion in annual debt repayments until 2025. With its foreign currency reserves just $3 billion at the end of August, the government's priority has been avoiding an international debt default.

The rupee has been effectively devalued by 27 percent since early last year, while printed money stock has increased by 35 percent, to 2.8 trillion rupees ($14 billion). The running budget deficit is reportedly around 12 percent of GDP and continuously increasing.

As workers and the poor suffer from these ongoing social attacks, various government cronies and big businesses are reaping windfall profits. After coming to power, President Gotabhaya Rajapakse sharply reduced most corporate taxes by between 15 and 24 percent. In the last business quarter—from April to June 2021—nine top companies amassed 364 billion rupees ($1.82 billion) in earnings, collectively pocketing 21 billion rupees ($105 million) in net profit.

Sri Lanka's recently appointed finance minister, Basil Rajapakse, the younger brother of President Gotabhaya Rajapakse and Prime Minister Mahinda Rajapakse, has instructed government ministries to stop "unnecessary allowances" to state employees and "save money."

The government is intensifying its moves to privatise state institutions, such as the Colombo Port, Ceylon Petroleum Corporation (CPC) and Ceylon Electricity Board (CEB). On September 17, it signed a deal with the US-based New Fortress Energy, which will buy a 40 percent share in the Yugadanavi Power Plant at Kerawalapitiya, near Colombo. The Western Jetty at the Colombo Port is to be privatised and a 13-acre plot sold to a Chinese company.

Legislation covering Sri Lanka's petroleum supply and distribution is being amended in order to privatise CPC, while negotiations are underway for a $500 million credit for petroleum imports from India, and facilities from the United Arab Emirates. The government is also in the process of selling key real estate in Colombo city.

At the same time, President Rajapakse is militarising his administration and moving rapidly towards a presidential dictatorship based on the military and Sinhala-Buddhist chauvinist forces. A draconian essential service act, banning strikes in most of the public sector, has been imposed and emergency rule declared, with military generals being placed in key government ministries and the military being put on stand-by in every district across the island.

These measures, which are directed against the working class, are supported by all of the opposition parties, including the pro-US United National Party (UNP) and its breakaway group Samagi Jana Balavegaya (SJB), the Janatha Vimukthi Peramuna (JVP), the Tamil National Alliance and the pseudo-left Frontline Socialist Party (FSP).

The SJB and the UNP have urged the government to appeal to the government for assistance from the International Monetary Fund (IMF). The previous UNP government, under Prime Minister Ranil Wickremesinghe and President Maithripala Sirisena was defeated in the presidential and general elections in 2019 and 2020, after ruthlessly imposing IMF-prescribed austerity measures. The JVP, and its breakaway group, the FSP, argue that capitalism can be reformed by curbing corruption.

The Socialist Equality Party (SEP) is the only political organisation explaining that capitalism cannot be reformed, or the crisis overcome, by curbing corruption. The only forward for the working class and poor is on the basis of a socialist and internationalist program.

The September 10 SEP statement declared: "The Rajapakse government's actions are completely bound up with the global crisis of capitalism, and can only be defeated by fighting for socialist policies, to expropriate the capitalist class. The large estates, major companies and banks must be nationalized, under the democratic control of the working class, and foreign loans repudiated. A workers' and peasants' government must be brought to power to implement these policies."